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DEPT PASS TO OPIC MITCHELL STRAUSS

E.O. 12958: N/A

TAGS: [EINV](#) [MI](#)

SUBJECT: APPLICATION FOR OPIC FINANCE: ROOT CAPITAL, INC.

REF: SECSTATE 39945

¶1. With respect to the OPIC information request (reftel), Post has no information regarding the Project Company (Root Capital, Inc.), its founder and CEO (William Foote), or its investors.

¶2. Over half of Malawi's population is not served by formal or informal financial services, suggesting that there is room for investment in the financial services sector. The potential return on investment may be limited, however, by the high level of poverty in Malawi.

¶3. According to a recent FinScope survey, 55 percent of Malawi's population is financially excluded. Only 19 percent of the population is banked. Another 7 percent is served by non-bank other formal services, with remittances through Moneygram, Western Union or the Post Office accounting for the largest share of such services. Only a small share of the population makes use of micro finance institutions. For Malawi's 84 percent rural population, the proportion financially excluded is 58 percent, with only 6.7 percent utilizing formal non-bank services.

¶4. Purchase of agricultural inputs represents the number one reason for saving for Malawians who save, and ranks second to medical care as the reason for borrowing. When asked what they would do if they could borrow a large sum of money, Malawians responded by a large margin that they would start a business.

¶5. Malawi is one of the world's poorest countries, with a per capita GDP of only USD 312. The FinScope survey revealed clearly that the greatest reason Malawians do not use financial services is a lack of income. Overwhelmingly the reasons cited for not having a bank account were 1) insufficient or no money, 2) insufficient balance after expenses, and 3) cannot maintain the minimum balance. Fear of debts and worry over inability to pay back loans were cited most often as reasons for not borrowing money. Over forty-six percent of the agricultural population reports producing mainly or solely for personal consumption, mostly for the reason that there is no surplus to sell.

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